

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 452 (Delegate Walker)  
 Ways and Means

**Income Tax - Subtraction Modification for Classroom Supplies Purchased by Teachers - Alteration**

This bill expands the existing classroom supplies purchased by teachers tax subtraction modification by increasing from \$250 to \$500 the maximum value of the subtraction modification. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$253,300 in FY 2021 as a result of additional subtraction modifications claimed against the personal income tax. Future years reflect projected increase in eligible expenses. Expenditures are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$253,300)	(\$262,100)	(\$271,300)	(\$280,800)	(\$290,600)
Expenditure	0	0	0	0	0
Net Effect	(\$253,300)	(\$262,100)	(\$271,300)	(\$280,800)	(\$290,600)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local revenues decrease by \$164,600 in FY 2021 and by \$188,800 in FY 2025. Local expenditures are not affected.

**Small Business Effect:** None.

## Analysis

### Current Law/Background:

#### *Federal Income Tax*

For federal income tax purposes, eligible educators can deduct certain unreimbursed expenses including participation in professional development courses, books, supplies, and certain computer equipment used in the classroom. In order to qualify, the person must be a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide for at least 900 hours during the school year.

This deduction is available regardless of whether the taxpayer itemizes deductions. Taxpayers may deduct up to \$250 (\$500 if married filing jointly). Qualified expenses are deductible only to the extent the expenses exceed nontaxable earnings from qualified state tuition programs and Coverdell education savings accounts, certain reimbursed expenses, and interest on specified U.S. saving bonds.

The deduction reduces federal adjusted gross income, which in turn reduces State income tax liability by flowing through to Maryland adjusted gross income.

#### *State Subtraction Modification*

Chapter 466 of 2018 created a State income tax subtraction modification for classroom supplies that are purchased by a classroom teacher. The amount of the subtraction cannot exceed \$250 of the unreimbursed expenses paid for classroom supplies used by students in the classroom or by the teacher to prepare for or during classroom teaching. The amount allowed as a subtraction does not include an expense that is subtracted from federal adjusted gross income under the federal deduction described above. An eligible individual is a full-time kindergarten through grade 12 classroom teacher at an elementary or secondary school in the State. A total of 21,400 tax returns claimed the subtraction modification in tax year 2018.

**State Revenues:** The bill expands the classroom supplies purchased by teachers tax subtraction modification beginning in tax year 2020. As a result, general fund revenues will decrease by \$253,300 in fiscal 2021. **Exhibit 1** shows the projected State and local revenue loss from the bill.

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**Exhibit 1**  
**Projected State and Local Revenue Impact**

	<u><b>FY 2021</b></u>	<u><b>FY 2022</b></u>	<u><b>FY 2023</b></u>	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>
State	(\$253,300)	(\$262,100)	(\$271,300)	(\$280,800)	(\$290,600)
Local	(164,600)	(170,300)	(176,300)	(182,500)	(188,800)
<b>Total</b>	<b>(\$417,900)</b>	<b>(\$432,400)</b>	<b>(\$447,600)</b>	<b>(\$463,300)</b>	<b>(\$479,400)</b>

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**Local Revenues:** Local income tax revenues will decrease as a result of additional subtraction modifications claimed against the personal income tax. Local revenues will decrease by \$164,600 in fiscal 2021 and by \$188,800 in fiscal 2025, as shown in Exhibit 1.

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**Additional Information**

**Prior Introductions:** HB 385 of 2019 received a hearing in the House Ways and Means Committee, but no further action was taken.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2020  
mr/hlb

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